

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,

Plaintiff,

v.

1. RICHARD A. SAND,

2. DONALD W. KRAUSE, and

3. BRENDA L. EPPERLY,

Defendants.

INDICTMENT

(18 U.S.C. § 1343)

(18 U.S.C. § 1957)

(18 U.S.C. § 2)

CR 10-195 JNE/JJK

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

At all times relevant to the indictment:

1. Defendant Richard A. Sand was an attorney and a resident of the State of Minnesota;

2. Defendant Donald W. Krause was the general partner of "RSN Companies" and owned and operated another entity called "CD Funding." Defendant Krause was a resident of the State of Minnesota;

3. Defendant Brenda L. Epperly was a resident of the State of Minnesota and a closing agent who owned "Pro-Closers, Inc." Pro Closers was in the business of closing real estate transactions. Epperly would use the resources of Northwest Title Company, including escrow accounts, to perform certain closings;

4. A.S. was the 86-year-old mother of defendant Richard A. Sand and also a resident of the State of Minnesota;

SCANNED

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5. Defendant Sand and his wife owned a building at 168 Nina Street, St. Paul, Minnesota, which he used as his law office, among other purposes. The building was in foreclosure and was sold at a sheriff's sale on October 12, 2007. In order to redeem the building, defendant Sand was obligated to pay the Ramsey County Sheriff's Office approximately \$224,371.08 no later than April 12, 2008.

6. Wells Fargo Bank ("Wells Fargo"), Bank of America, and US Bank were financial institutions with deposits that were insured by the Federal Deposit Insurance Corporation.

COUNTS 1 - 3

(Mortgage Fraud Through Use of Interstate Wires)

7. Between on or about February 21, 2008 and continuing until on or about April 29, 2008, in the State and District of Minnesota, the defendants,

**RICHARD A. SAND,
DONALD W. KRAUSE, and
BRENDA L. EPPERLY,**

aiding and abetting each other, and aided and abetted by others known and unknown to the Grand Jury, devised and intended to devise a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations and promises and concealment of material facts.

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PURPOSE OF THE SCHEME AND ARTIFICE

8. The purpose of the scheme and artifice was to fraudulently obtain loan funds by making material false representations and promises and withholding material information about the residential property purchases orchestrated by defendants Sand and Krause and others acting on their behalf.

SCHEME AND ARTIFICE

It was part of the scheme and artifice that the defendants used two residential property transactions to fraudulently obtain loan funds:

Sale/Purchase of 1001 Wildhurst Trail, Orono, Minnesota

9. On or about February 21, 2008 a purchase agreement was executed for the sale of a residence at 1001 Wildhurst Trail, Orono, Minnesota, by 10 Spring Homes, Inc., a construction company to RSN Companies, signed by Defendant Krause, for the purchase price of \$1.6 million.

10. The next day, February 22, 2008, a purchase agreement was executed for the sale of 1001 Wildhurst Trail, Orono, Minnesota, from RSN Companies, signed by Defendant Krause, to defendant Sand's mother, A.S., for the purchase price of \$2.6 million. This was a \$1 million increase in the sale price from the previous day's transaction of the same property to RSN Companies.

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11. To obtain \$2 million in loan funds from Bank of America for the purchase by A.S. of 1001 Wildhurst Trail, a false and fictitious loan application was submitted in the name of defendant Sand's mother, A.S.

12. The loan application contained materially false information concerning the financial status of A.S. For example, the loan application falsely represented that A.S. had monthly income of \$44,000. The loan application falsely represented that A.S. had an account at the Postal Credit Union, worth \$350,000. The loan application falsely represented that A.S. had \$120,000 in a Wells Fargo account. The loan application also contained the materially false representation that A.S. would pay the remaining approximately \$600,000 in cash at closing for the purchase of 1001 Wildhurst Trail. Finally, the loan application made the materially false representation that 1001 Wildhurst Trail would be A.S.'s primary residence.

13. On or about March 18, 2008, defendant Sand opened an account at Wells Fargo Bank, under the business name "SandTerra Fund Corp.," placing \$500 in the account. Defendant Sand was the only authorized signator on the account.

14. On March 20, 2008 Bank of America wired approximately \$2 million to Northwest Title, to the attention of Defendant Epperly

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to fund its loans to A.S. for the purchase of 1001 Wildhurst Trail. The loan proceeds were to be distributed by Defendant Epperly at the closing.

15. On March 21, 2008, prior to receiving any money from A.S., and in contravention of her obligation as a closing agent, Defendant Epperly dispersed \$900,000 of the loan funds received from Bank of America by Northwest Title to RSN Companies.

16. On March 22, 2008, Defendant Krause used part of Bank of America loan funds received by RSN Companies on March 21, 2008 to purchase a \$602,018.78 cashier's check made out to "Northwest Title". This cashier's check was then used to pay for A.S.'s cash payment due at closing. In reality, A.S.'s cash payment to close on the purchase was totally funded by Bank of America loan proceeds.

17. The HUD-1 Settlement Statement sent to Bank of America by Defendant Epperly falsely indicated that A.S. had provided approximately \$602,018.78 in cash as her equity contribution to the purchase of 1001 Wildhurst Trail, a material fact to the Bank of America in deciding to make the loan to her. This misled Bank of America to believe that A.S. had a stake in the purchased residence and thus incentive to pay the loan.

18. \$224,371.08 in loan proceeds from Bank of America for 1001 Wildhurst Trail, sent on March 21, 2008 by Defendant Epperly

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to RSN Companies, was also used by Defendant Krause to purchase a cashier's check, payable to the "Ramsey County Sheriff" on March 22, 2008 to redeem Defendant Sand's property at 168 Nina Street. Defendant Sand then caused the check to be delivered to the Ramsey County Sheriff for the redemption.

19. On or about March 22, 2008, Defendant Krause wrote a check on the RSN Companies account for \$70,000 to "SandTerra Fund", which was deposited into the SandTerra Fund account at Wells Fargo. The \$70,000 was loan proceeds received by RSN Companies from the Bank of America loan for 1001 Wildhurst Trail. Defendant Sand then used the loan proceeds for his own personal benefit.

20. On March 25, 2008, Defendant Epperly released an additional \$100,000 from Bank of America loan for the purchase of 1001 Wildhurst Trail to RSN Companies. On that same day Defendant Krause wrote a check to Wells Fargo on the RSN Companies account for \$100,000, which check was deposited in the SandTerra fund account at Wells Fargo. Defendant Sand then used the loan proceeds for his own personal benefit.

21. The loans made in the name of A.S. defaulted and Bank of America lost approximately \$1.1 million.

Purchase of 22557 Breanna Lane, Rogers, Minnesota

22. On or about April 4, 2008 a purchase agreement was executed for the sale of a residence at 22557 Breanna Lane, Rogers,

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Minnesota, from RSN Companies signed by Defendant Krause to Defendant Sand's mother, A.S. for the purchase price of \$460,000, with A.S. to provide at least 10% (10 percent) of the sale price in cash. Defendant Epperly was the "facilitator" listed on the purchase agreement.

23. To obtain approximately \$411,000 in loan funds from Dream House Mortgage Corp. for the purchase by A.S. of 22557 Breanna Lane, a false and fictitious loan application was submitted in the name of Defendant Sand's mother, A.S.

24. The loan application contained materially false information concerning the financial status of A.S. For example, the loan application falsely represented that A.S. had monthly income of \$10,847. The loan application failed to disclose the material information that A.S. had just purchased 1001 Wildhurst Trail, Orono, Minnesota, and had approximately \$2 million in mortgages owing to Bank of America. The loan application also contained the materially false representation that A.S. would pay the remaining approximately \$50,000 in cash at the closing for the purchase of the property. Finally, the loan application made the material false representation that 22557 Breanna Lane would be A.S.'s primary residence.

25. On April 25, 2008, prior to receiving any money from A.S., and in contravention of her obligation as a closing agent,

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Defendant Epperly disbursed \$50,000 from the Northwest Title bank account to CD Funding.

26. On April 25, 2008, the \$50,000 sent to CD Funding by Defendant Epperly was used to purchase a \$50,000 cashier's check made out to Northwest Title. This cashier's check was then used as A.S.'s cash payment.

27. On April 28, 2008, Dream House Mortgage Corp. caused to be wired approximately \$411,000 to Northwest Title, to fund its loan to A.S. for the purchase of 22557 Breanna Lane.

28. On April 28, 2008, after the loan proceeds from Dream House Mortgage were received by Northwest Title, approximately \$147,000 was wired by Defendant Epperly to RSN Properties. On that same day, Defendant Krause wired \$50,000 to the bank account of A.S. at Bremer Bank, which account had been first opened that same day.

29. On April 28, 2008, a cashier's check for \$50,000 was purchased from monies in the newly opened account of A.S. and made out to Northwest Title, and deposited in the Northwest Title account. In this manner, the Northwest Title funds used to pay A.S.'s down payment were repaid with the Dream House Mortgage Corp. loan proceeds.

30. On or about April 28, 2008, Defendant Krause wrote a check on the RSN account to SandTerra Fund Corp. for \$24,770.62

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which check was deposited in the SandTerra Fund account at Wells Fargo.

31. The HUD-1 Settlement Statement sent to Dream House Mortgage Corp. by Defendant Epperly falsely indicated that A.S. had provided approximately \$49,998 in cash as her equity contribution to the purchase of 22557 Breanna Lane, a material fact to the Dream House Mortgage Corp. in deciding to make the loan. This misled Dream House Mortgage Corp. to believe that A.S. had a stake in the purchased residence and thus incentive to pay for the loan.

32. On the next day, April 29, 2008, Defendant Sand used \$9,355.62 from the Dream House Mortgage Corp. loan proceeds he received from RSN to pay the Ramsey County property taxes due and owing on his property at 168 Nina Street, St. Paul, Minnesota.

33. The loan for the Breanna property made in the name of A.S. defaulted. Prior to the default, the mortgaged was purchased from Dream House Mortgage Corp. by U.S. Bank, which lost approximately \$411,000.00 on the loan.

EXECUTION OF THE SCHEME AND ARTIFICE

34. On or about the dates listed below, in State and District of Minnesota, the defendants,

**RICHARD A. SAND,
DONALD W. KRAUSE, and
BRENDA L. EPPERLY**

each aiding and abetting the others, along with others known and

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unknown to the Grand Jury, for the purpose of executing the above-described scheme and artifice, did knowingly cause to be transmitted, in interstate commerce, by means of wire communication, certain signals and sounds, as further described below:

Count	Date, On or About	Wire Communication
1	March 20, 2008	Wire transfer of \$1,001,549.72 from a Bank of America account outside Minnesota to US Bank account in Minnesota to the benefit of Northwest Title, to purchase 1001 Wildhurst Trail
2	March 20, 2008	Wire transfer of \$996,669.23 from a Bank of America account outside Minnesota to US Bank account in Minnesota to the benefit of Northwest Title, to purchase 1001 Wildhurst Trail
3	April 28, 2008	Wire transfer of \$411,186.58 caused to be made by Dream House Mortgage Corp. from Premier Title and Escrow Co., Inc. outside Minnesota to U.S. Bank account in Minnesota to the benefit of Northwest Title, to purchase 22557 Breanna

all in violation of Title 18, United States Code, Section 1343.

COUNTS 4-13
(Money Laundering)

The Grand Jury re-alleges and incorporates paragraphs 1-33 of the indictment as if set forth in full herein.

35. Defendant Sand had a checking account at Wells Fargo in

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his own name, in addition to the SandTerra Fund account.

36. On or about the dates set forth below, in the State and District of Minnesota, the defendant,

RICHARD A. SAND,

knowingly engaged and attempted to engage in a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, such property having been derived from a specified unlawful activity, that is wire fraud (18 U.S.C. § 1343) as further described below:

Count	Date, On or about	Amount	Monetary Transaction
4	March 25, 2008	\$21,772.77	transfer from SandTerra Fund account at Wells Fargo to checking account of defendant Sand's at Wells Fargo
5	March 25, 2008	\$21,797.23	withdrawal of funds from checking account of defendant Sand at Wells Fargo to purchase cashier's check to "US Treasury"
6	March 25, 2008	\$19,000.00	transfer from SandTerra Fund account at Wells Fargo to checking account of defendant Sand at Wells Fargo
7	March 25, 2008	\$19,005.00	withdrawal of funds from checking account of defendant Sand at Wells Fargo to purchase cashier's check to "St. Thomas Academy"

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Count	Date, On or about	Amount	Monetary Transaction
8	March 27, 2008	\$25,000.00	transfer from SandTerra account at Wells Fargo to checking account of defendant Sand at Wells Fargo
9	March 27, 2008	\$25,005.00	withdrawal of funds from checking account of defendant Sand at Wells Fargo to purchase cashier's check to "Wealth Strategies Intl."
10	March 28, 2008	\$56,814.84	transfer from SandTerra Fund account at Wells Fargo to checking account of Defendant Sand at Wells Fargo
11	March 28, 2008	\$56,814.84	withdrawal of funds from checking account of defendant Sand at Wells Fargo to purchase cashier's check to "Anastasi and Associates"
12	April 3, 2008	\$23,275.00	transfer from SandTerra Fund account at Wells Fargo to checking account of defendant Sand at Wells Fargo
13	April 3, 2008	\$23,283.00	withdrawal of funds from checking account of defendant Sand at Wells Fargo to purchase cashier's check to L.T.

all in violation of Title 18, United States Code, Section 1957.

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COUNT 14
(Money Laundering)

The Grand Jury re-alleges and incorporates paragraphs 1-33 of the indictment as if set forth in full herein.

37. On or about March 21-22, 2008, in the State and District of Minnesota, the defendants,

**RICHARD A. SAND, and
DONALD W. KRAUSE,**

each aiding and abetting the other, knowingly engaged and attempted to engage in a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, such property having derived from a specified unlawful activity, that is wire fraud (18 U.S.C. § 1343) to wit: withdrawal of funds from RSN Co. account at Wells Fargo Bank to purchase a cashiers check for \$224,371.08 made payable to the "Ramsey County Sheriff"; in violation of Title 18, United States Code, Sections 1957 and 2.

FORFEITURE ALLEGATIONS

Counts 1-14 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1 through 3 of this Indictment, the defendants shall forfeit to the United States

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pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations of Title 18, United States Code, Sections 1343, including the real property located at 168 Nina Street, St. Paul, Minnesota.

As a result of the offenses alleged in Counts 4 through 14 of the Indictment, the defendants shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), all property, real or personal, involved in said money laundering violations and all property traceable to such property, including the sum of money involved in each of Counts 1 through 14, and including the real property located at 168 Nina Street, St. Paul, Minnesota.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c).

All in violation of Title 18, United States Code, Sections 981(a)(1)(C), 982(a)(1), 1343 and 1957.

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON